

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 OMB-01 TRSE-00 SP-02
SSO-00 COME-00 CIAE-00 INR-10 NSAE-00 INRE-00
SS-15 NSCE-00 L-03 /056 W
-----082702 191717Z /47

O 191600Z APR 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC IMMEDIATE 6325

UNCLAS SECTION 1 OF 2 BELGRADE 3110

DEPT PASS EXIMBANK

E.O. 11652: N/A
TAGS: EGEN, EFIN YO
SUBJECT: EXIMBANK OPERATING PROCEDURES: CEMOVIC LETTER TO CHAIRMAN
MOORE

1. EMBASSY RECEIVED TODAY, UNDER COVER LETTER DATED APRIL 19
FROM FINANCE SECRETARIAT COUNSELOR JELIC TO E/C COUNSELOR EVANS,
TEXT OF CEMOVIC LETTER TO CHAIRMAN MOORE DATED APRIL 11.

COMPLETE TEXT OF LETTER FOLLOWS.

2. "DEAR MR. PRESIDENT, THANK YOU FOR YOUR LETTER OF
FEBRUARY 10, 1978, TOGETHER WITH THE ENCLOSED DRAFT
"MEMORANDUM OF UNDERSTANDING" WHICH INCLUDES THE PROPOSALS OF
EXPORT IMPORT BANK OF THE UNITED STATES REGARDING THE PRINCIPLES
OF FUTURE CREDIT COOPERATION BETWEEN THE BANK AND ITS PARTNERS
IN YUGOSLAVIA.

FIRST OF ALL, I WOULD LIKE TO REITERATE THAT THE
YUGOSLAV GOVERNMENT HIGHLY APPRECIATES THE COOPERATION OF OUR
ORGANIZATIONS OF ASSOCIATED LABOR AND COMMERCIAL BANKS WITH
EXPORT IMPORT BANK OF THE UNITED STATES. OUR ECONOMY IS
INTERESTED TO CONTINUE ACQUIRING IN THE FUTURE, UNDER
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COMPETITIVE CONDITIONS, EQUIPMENT AND TECHNOLOGY IN THE USA.
WITHIN THE FRAMEWORK OF ITS COMPETENCE, THE YUGOSLAV
GOVERNMENT UNDERTAKES THE NECESSARY MEASURES IN ORDER TO
CREATE APPROPRIATE CONDITIONS FOR THIS.

WE CONSIDER YOUR IDEAS AND PROPOSALS IN THE ABOVE
MENTIONED "MEMORANDUM OF UNDERSTANDING" AS AN EXPRESSION OF

YOUR EFFORTS TO BASE OUR FUTURE CREDIT COOPERATION ON NOVEL,
MUTUALLY ACCEPTED CRITERIA.

AS I STUDIED YOUR CONCRETE PROPOSALS I REALIZED THAT SOME
OF THE SUGGESTED SOLUTIONS DID NOT SUFFICIENTLY TAKE INTO
ACCOUNT THE EXISTING REGULATIONS OF THE LAW ON FOREIGN
EXCHANGE OPERATIONS AND FOREIGN CREDIT RELATIONS IN
YUGOSLAVIA.

AFTER COMPREHENSIVE DISCUSSION HELD WITH THE CONCERNED
YUGOSLAV AUTHORITIES, I CAN INFORM YOU OF THE FOLLOWING:

(1) THE REQUEST UNDER ITEM 3 OF THE "MEMORANDUM
OF UNDERSTANDING" REGARDING A GUARANTEE OF AN INDIVIDUAL YUGOSLAV
COMMERCIAL BANK FOR CREDITS UP TO MILLION DOLLARS, AS WELL
AS REGARDING A "JOINT AND SEVERAL GUARANTEE" OF YUGOSLAV BANKS
FOR EVERY CREDIT ABOVE ONE MILLION DOLLARS, IS NOT ACCEPTABLE
BECAUSE THE YUGOSLAV GOVERNMENT AND ITS ORGANS SIMPLY DO NOT
DISPOSE OF THE AUTHORITY OF COMMITTING "EX ANTE" THE
ORGANIZATIONS OF ASSOCIATED LABOR AND COMMERCIAL BANKS TO ISSUE
"JOINT AND SEVERAL GUARANTEES" IN THEIR CREDIT TRANSACTIONS
WITH FOREIGN COUNTRIES. AT THE SAME TIME, I WISH TO EXPLAIN
THAT THIS ALTERNATIVE IS NOT INCOMPATIBLE WITH THE POSITIVE
LEGISLATION BECAUSE THE LATTER DOES NOT EXCLUDE THE
POSSIBILITY THAT ORGANIZATIONS OF ASSOCIATED LABOR AND
COMMERCIAL BANKS, AS A RESULT OF THIER OWN CONSIDERATION
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AND DECISION, ENTER INTO SUCH ARRANGEMENTS WITH FOREIGN
PARTNERS WHICH DO PROVIDE FOR THE ISSUING OF "JOINT
AND SEVERAL GUARANTEES". THIS IS TO SAY THAT THE ISSUING OF
INDIVIDUAL OR "JOINT AND SEVERAL" GUARANTEES CAN REPRESENT A
SUBJECT-MATTER OF SPECIFIC AGREEMENTS BETWEEN EXPORT IMPORT BANK
OF THE UNITED STATES AND THE CORRESPONDING YUGOSLAV PARTNERS IN
EACH PARTICULAR CASE.

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ACTION XMB-04

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O 191600Z APR 78

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC IMMEDIATE 6326

UNCLAS SECTION 2 OF 2 BELGRADE 3110

DEPT PASS EXIMBANK

(2) THE REQUEST UNDER ITEM 4 OF THE "MEMORANDUM OF UNDERSTANDING" REGARDING AN INDIVIDUAL GUARANTEES OF THE NATIONAL BANK OF YUGOSLAVIA FOR TRANSFER AVAILABILITY FOR EVERY CREDIT EXCEEDING THE AMOUNT OF US DOLLARS 5 MILLION DOES NOT REPRESENT THE MOST APPROPRIATE SOLUTION. WE CONSIDER THAT IT IS NEITHER NECESSARY NOR PRACTICAL TO ISSUE SUCH A DOCUMENT FOR EVERY SINGLE OPERATION. WE DO CONSIDER, HOWEVER, THAT IT WOULD BE APPROPRIATE AND MORE PRACTICAL THAT THE NATIONAL BANK OF YUGOSLAVIA, IN THE FORM OF A FRAMEWORK LETTER, AS PER THE DRAFT ENCLOSED HERewith, PROVIDES THE EXPORT IMPORT BANK WITH SUCH AN ESSENTIAL CONFIRMATION. IT IS IN THE SPIRIT OF COOPERATION THAT I COMMUNICATE TO YOU THE VIEWS EXPRESSED ABOVE, WITH THE HOPE THAT THEY WILL CONTRIBUTE TO CLARIFY SOME OF THE REMAINING MISUNDERSTANDINGS AS WELL AS TO FIND AN EARLY SOLUTION TO THE PENDING ISSUES. THIS WOULD INDEED PROMOTE THE CONTINUATION AND EXPANSION OF THE FRUITFUL COOPERATION BETWEEN OUR COUNTRIES.

HOPING TO HEAR FROM YOU SOON, I REMAIN, DEAR MR. PRESIDENT, SINCERELY YOURS, MOMCILO CEMOVIC, MEMBER OF THE FEDERAL EXECUTIVE COUNCIL AND FEDERAL SECRETARY FOR FINANCE. DRAFT. NATIONAL BANK OF YUGOSLAIVA, BEOGRAD. UNCLASSIFIED

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EXPORT IMPORT BANK OF THE U.S.
WASHINGTON, D.C.

DEAR SIRS,
WITH RESPECT TO THE CURRENT CORRESPONDENCE BETWEEN THE FEDERAL SECRETARIAT FOR FINANCE AND EXPORT IMPORT BANK OF THE U.S. PERTAINING TO THE ARRANGEMENTS FOR FUTURE COOPERATION BETWEEN YOUR BANK AND THE CORRESPONDING PARTNERS IN YUGOSLAVIA (ORGANIZATIONS OF ASSOCIATED LABOR AND AUTHORIZED COMMERCIAL BANKS) WE WISH TO CONFIRM THE FOLLOWING:

THE EXISTING LEGAL REGULATIONS IN THE SOCIALIST FEDERATIVE REPUBLIC OF YUGOSLAVIA ASSURE THE AVAILABILITY OF FOREIGN EXCHANGE TRANSFER FOR SERVICING ALL THE LIABILITIES OF

YUGOSLAV LEGAL PERSONS WITH RESPECT TO FOREIGN COUNTRIES,
INCLUDING SERVICING OF FOREIGN EXCHANGE COMMITMENTS COVERED
WITH GUARANTEES, SUPERGUARANTEES AND OTHER FORMS OF
WARRANTY BY THE YUGOSLAV BANKS AUTHORIZED TO PERFORM BUSINESS
WITH FOREIGN COUNTRIES. THIS PRACTICALLY MEANS THAT SUFFICIENT
AMOUNT OF US DOLLARS WILL BE MADE AVAILABLE TO SERVICE PAYMENTS
WHEN DUE OF ALL AMOUNTS OWING BY THE YUGOSLAV BORROWER OF
BORROWERS (INCLUDING COMMITMENTS WITH GUARANTEES,
SUPERGUARANTEES AND OTHER FORMS OF WARRANTY) TO THE
LENDER OR LENDERS IN CONFORMITY WITH THEIR
AGREEMENTS AND CONTRACTS."

3. EMBASSY COMMENTS FOLLOW SEPTTEL.
EAGLEBURGER

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